

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII**

----In the Matter of----

PUBLIC UTILITIES COMMISSION

**Instituting a Proceeding to
Investigate Proposed Amendments
To the Framework for Integrated
Resource Planning.**

Docket No. 2009-0108

PUBLIC UTILITIES
COMMISSION

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**PRELIMINARY STATEMENT OF POSITION
AND PRELIMINARY PROPOSED MODIFICATIONS,
AND CERTIFICATE OF SERVICE OF
JW MARRIOTT IHILANI RESORT & SPA,
WAIKOLOA MARRIOTT BEACH RESORT & SPA,
MAUI OCEAN CLUB, WAILEA MARRIOTT, AND
ESSEX HOUSE CONDOMINIUM CORPORATION
ON BEHALF OF KAUAI MARRIOTT RESORT & BEACH CLUB**

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Dated: October 2, 2009

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JW MARRIOTT IHI LANI RESORT & SPA,
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ON BEHALF OF KAUAI MARRIOTT RESORT & BEACH CLUB**

This Preliminary Statement of Position ("Preliminary SOP") and the accompanying Preliminary Proposed Modifications ("Proposed Modifications") to the Framework for Integrated Resource Planning and Proposed Clean Energy Scenario Planning Framework are respectfully submitted by the JW Marriott Ihilani Resort & Spa, Waikoloa Marriott Beach Resort & Spa, Maui Ocean Club, Wailea Marriott, And Essex House Condominium Corporation, on behalf of Kauai Marriott Resort & Beach Club (herein referred to jointly as the "Marriotts"), who are filing this document on a joint and several basis.

I. INTRODUCTION

This investigation was instituted by the Public Utilities Commission of the State of Hawaii ("Commission") in its "Order Initiating Investigation," dated May 14, 2009 ("May 14 Order). Among other things, the investigation is designed to "review and establish" a "Clean Energy Scenario Planning Framework ("CESP Framework") that "revises the previous IRP Framework and proposes a planning process to develop generation and transmission resource plan options for multiple 20-year planning scenarios . . . [and] the development of a 5-year Action Plan based on the range of resource needs identified through the various scenarios analyzed." The CESP Framework also includes the identification of Renewable Energy Zones, (*i.e.*, geographic areas of the islands with rich renewable energy resources) in which infrastructure improvements should be focused, as well as the identification of any geographic areas of the distribution system in which distributed generation or demand-side management resources are of higher value.

On July 1, 2009, the Commission issued its "Order Granting Intervention," which granted intervenor status to the Marriotts, as well as to the Department of Business, Economic Development, and Tourism ("DBEDT"), the County of Hawaii ("COH"), the County of Maui ("COM"), the County of Kauai ("COK"), Life of the Land ("LOL"), Haiku Design and Analysis ("HAD"), the Hawaii Renewable Resources Alliance ("HREA"), the Blue Planet Foundation ("Blue Planet"), the Hawaii Solar Energy Association ("HSEA"), and Forest City Residential, Inc., ("Forest City").

On September 23, 2009, the Commission issued its "Order Approving The Stipulated Procedural Order, As Modified" ("Procedural Order"). Among other things, the Commission modified the statement of issues as proposed by the stipulating parties. The Commission stated

that the stipulating parties' issues had focused on the Proposed CESP Framework, dated April 28, 2009. However, the Commission did not agree that the Proposed CESP Framework was the appropriate starting point. Instead, the Commission held that the starting point should be existing Commission-approved Integrated Resource Planning ("IRP") Framework.

The Commission thus revised the "Statement of the Issues" to be addressed in this proceeding as follows:

1. What are the objectives of CESP and how do they differ from the objectives of IRP?
2. What is the basis for each of the proposed changes to the IRP process, and are these changes reasonable and in the public interest?
3. Whether the proposed changes to the IRP process should include changes to reflect differences between electric cooperatives and investor owned utilities?
4. What should be the role of the state's public benefits fee administrator?

Proposed Order, pp. 5-6.

The Proposed CESP Framework had been attached to a letter dated April 28, 2009, which was filed with the Commission by the Hawaiian Electric Company, Inc., Maui Electric Company, Limited, and Hawaii Electric Light Company, Inc. (the "HECO Companies"), the Kauai Island Utility Cooperative ("KIUC"), and the Consumer Advocate in which these parties requested that the Commission open this investigation (hereinafter collectively referred to as the "HCEI" parties). According to the HCEI parties, the Proposed CESP Framework revised the existing Framework for Integrated Resource Planning ("IRP") as revised and dated May 22, 1992 ("IRP Framework").

The May 14, 2009 "Order Initiating Investigation" in this docket included the April 28, 2009 letter as an attachment. This letter included (1) a "clean" copy of the Proposed CESP Framework as agreed to by these parties and (2) a "blackline/ strikeout" version of the existing IRP Framework (dated May 22, 1992), which showed the changes made to that document to produce the Proposed CESP Framework.

This pleading sets forth the Preliminary SOP of the Marriotts, and includes the Marriotts' Proposed Modifications to the Proposed CESP Framework, dated April 28, 2009 (which modified the May 22, 1992 Framework for IRP). As discussed in detail in their Motion to Intervene in this investigation, the Marriotts have a direct interest in this docket as the decisions made here will directly impact each individual Marriott's rates, as well as its decision whether to install alternative generation at their various properties throughout Hawaii, and those decisions, in turn, will impact the CESP Framework.

As this SOP and Proposed Modifications are preliminary in nature, the Marriotts reserve all rights to supplement, withdraw, and/or modify any of the positions and proposals set forth herein in their final SOP and Proposed Modifications.

II. PRELIMINARY STATEMENT OF POSITION

The Marriotts have reviewed both the existing IRP Framework and the Proposed CESP Framework in detail, and have actively participated in both the August 11, 2009 technical session addressing the Proposed CESP Framework, and the September 15, 2009 technical session addressing the parties' informal proposed modifications to the Framework. This pleading sets forth (1) the Marriott's initial response to the Statement of the Issues as set forth by the Commission and (2) general principles and/or issues that the Marriotts submit should be

incorporated into and/or addressed in the Proposed CESP Framework. Specific comments and proposed language changes are set forth in the blackline/strikeout version of the Proposed CESP Framework attached as Appendix 1 to this pleading.

A. Preliminary SOP With Respect To The Issues As Set Forth By The Commission.

In response to the Statement of the Issues as set forth by the Commission in the Procedural Order, the Marriotts have the following comments. First, in the Marriott's view, the differences in the objectives of the CESP as compared to the IRP are differences of degree rather than wholesale changes. The CESP as proposed by the HCEI parties recognizes that the state has adopted a number of goals designed to decrease energy demand, and to encourage the installation and operation of distributed generation ("DG") and renewable energy forms that provide benefits to the utility system and the utility's customers while reducing dependence on foreign oil.

The overall goal of the HCEI parties in proposing their CESP Framework is to develop a number of CESP scenarios that would provide guidance on a long and short term basis with respect to how each utility will meet clean energy objectives, will meet customers' expected energy needs, and will protect system reliability at reasonable costs. Thus, the governing principles proposed to accomplish this goal are not significantly different from the governing principles in the existing IRP Framework.

The Marriotts view the Proposed CESP Framework as a logical extension of the existing IRP Framework. Assuming adoption of each of the modifications proposed by the Marriotts in this pleading and the attachment, the Marriotts can support the CESP Framework as a viable successor to the IRP Framework.

Second, the Commission has requested that the parties address the basis for each of the proposed changes to the IRP process and whether such changes are reasonable and in the public interest. Set forth below are the major proposals of the Marriotts, accompanied by an explanation of the reasons for each proposal and why the proposal is reasonable and in the public interest. Attachment 1 includes specific language to implement each of these proposals.

Third, the Commission has asked the parties to address whether the proposed changes to the IRP should include changes to reflect the differences between electric cooperatives and investor-owned utilities. As further discussed below, the Marriotts believe that the proposed changes to the IRP should apply to both investor-owned utilities and cooperatives. However, on an issue-specific basis, a cooperative could request that the Commission grant it a waiver of a specific requirement on this basis.

Fourth, the Commission has asked the parties to comment on the role of the state's Public Benefits Fee Administrator. At this time, the Marriotts take no position on this issue, but reserve the right to do so following review of other parties' positions on this issue.

B. General Principles And/Or Issues To Be Incorporated Into And/Or Addressed In Changes To Existing IRP Framework.

As stated above, assuming adoption of each of the modifications proposed by the Marriotts in this pleading and the attachment, the Marriotts can support the Proposed CESP Framework as a reasonable and viable successor to the IRP Framework. The Marriotts are here proposing nine general principles and/or issues that should be incorporated into and/or addressed in changes to the existing IRP Framework.

First, the Marriotts strongly support adding a provision to the “Governing Principles” section of the Proposed CESP Framework that requires the encouragement and facilitation of increased use of distributed generation (“DG”) and, more specifically, combined heat and power (“CHP”) facilities. As a general principle, the Proposed CESP Framework should embrace rates, rate designs, and cost allocations that encourage – or, at least, do not discourage – the installation and operation of DG/CHP and other renewable energy forms that provide benefits to the utility system and the utility’s customers. DG/CHP is a proven technology that reduces both peak demand on a utility’s system, as well as the number of kwhs that must be generated and sold to the DG/CHP operator, thereby leaving both the capacity and generation to serve other needs (such as growth on the system). Clearly, encouraging the installation and operation of DG/CHP is in the public interest.

Second, rates and rate design issues are extremely important to the Marriotts in two respects: (a) recovery of CESP related costs incurred by a utility and (b) rates and rate designs associated with DG/CHP and renewable energy. With respect to recovery of CESP and CESP-related costs, the Marriotts do *not* support blanket statements (such as that included in Section III.F.1 of the Proposed CESP Framework), that utilities are *entitled* to recover the costs associated with clean energy scenario planning and implementation, including the costs of planning and implementing pilot and full-scale utility demand-side management programs. Instead, the Marriotts support language that is consistent with long-standing regulatory principles governing cost recovery. Simply stated, costs associated with CESP and CESP-related programs and filings may only be recovered from ratepayers if they were reasonably and prudently incurred.

Moreover, the CESP should clearly state that any such costs may be recovered only to the extent allowed by, and in the manner specified by, the Commission after notice and a hearing. This could occur either in a specific CESP or CESP-related docket, or in a rate case. In addition, the Marriotts submit that it is important to retain a degree of flexibility in how such costs may ultimately be recovered from ratepayers (assuming that recovery is authorized by the Commission). These requirements will protect the public interest by ensuring that rates that include such costs are just and reasonable.

As to the rates and rate designs applicable to DG/CHP and other forms of efficient and/or renewable energy, they should encourage – or, at least, not discourage – the implementation of these types of projects. Onerous and unjustified standby, backup, and similar charges serve only to discourage the undertaking of such projects.

Moreover, rates and rate designs for standby, backup, and similar services should take into account the offsetting benefits of the particular projects. For example, with respect to DG/CHP, any standby rate or rate design should consider not only the costs of providing the service, but also the benefits that inure to the utility system (as well as to present and future customers) from the installation and operation of DG/CHP, including, but not limited to, benefits such as whether a utility is able to defer construction of additional generation or transmission facilities if DG/CHP is implemented.

Third, and related, there is an important issue concerning how input to the CESP and related proposals and projects would be obtained from private, non-regulated entities, such as the Marriotts. The CESP should make clear that no customer or third party shall be required to disclose confidential information during the collection of data for the CESP or CESP-related proposals or programs by the utility.

Fourth, the CESP must make clear that pilot programs as contemplated by the CESP are subject to existing Commission orders and regulations. For example, it appears that the current draft of the CESP contemplates that a utility may engage in DG/CHP through pilot programs. The Commission imposed specific limitations on such participation by utilities in Order No. 22248, Docket No. 2003-0371:

With respect to customer-sited distributed generation projects, utilities are allowed to participate in the distributed generation market only as either: (1) an affiliate; or (2) as a regulated utility, upon a showing that: (a) the proposed distributed generation project would resolve a legitimate system need, (b) it is the least cost alternative to meet that need, and (c) in an open and competitive process acceptable to the commission, the customer-generator was unable to find another entity ready and able to supply the proposed distributed generation service at a price and quality comparable to the utility's offering, as described in greater detail above.

Likewise, any project contemplated by a utility as a pilot project must be subject to exactly the same rates, tariff conditions, and interconnection/technical requirements as a project proposed by a utility customer and/or third party. The CESP should make clear that existing Commission orders continue to apply to any and all proposals under the CESP or in a CESP-related proceeding, whether such proposal is made by a utility or some other entity.

Fifth, and related, proposed projects that do not fall within a defined "Locational Value Map" or "Renewable Energy Zone" should not be treated any differently than projects that do fall within such areas or zones. Stated differently, projects within a defined Locational Value Map or Renewable Energy Zones are not entitled to a preference in terms of rates, conditions, or processing over similar projects that are not located within such zones, just as utility projects are not entitled to such preferences.

Sixth, the Marriotts submit that the CESP requirements should apply to all major electric utilities regulated by the Commission, including the Kauai Island Utility Cooperative (“KIUC”). While KIUC’s structure is different from that of investor-owned utilities, that alone is not a sufficient reason to exempt KIUC from the CESP Requirements. Whether investor- or member-owned, an electric utility should be required to comply with the fundamental CESP requirements because the goals of the CESP – among them, balancing how a utility will meet clean energy objectives and customers’ expected energy needs, consistent with protecting system reliability at reasonable costs – are applicable to all utilities.

Should KIUC believe that there are *specific* principles or requirements that should not be applied to it, under the Proposed CESP Framework, KIUC may seek a waiver from the Commission for that specific principle or requirement. However, the default position should be that KIUC is subject to the CESP Framework.

Seventh, the Marriotts respectfully submit that the utility, through its website, should serve as a directory for all CESP and CESP-related programs and dockets. As further discussed below, this does not mean that every document in a given proceeding need be posted on a utility’s website. Rather, the intent is to provide one location for each utility where an entity can find a list of all open dockets for the particular utility that pertain to CESP and CESP-related matters, and can find and download any new filings by the utility that have not yet been docketed by the Commission with respect to same. The latter requirement will permit the entity to determine whether that entity’s interests are impacted by the new filing, and, if so, permit that entity to file a timely motion to intervene or participate in a particular docket.

This proposal is *not* intended to require a utility to duplicate the Commission’s online Document Management System. The Document Management System is a valuable tool that

permits entities to keep up-to-date on the various filings and orders in the Commission's dockets, once they are aware that such dockets exist. The Marriotts are not suggesting that each of the utilities here replicate that system. Instead, the Marriotts are proposing that the utility post open docket numbers and new filings pertaining to the that utility that address the CESP or CESP-related matters on their website.

By listing the docket numbers of all CESP and CESP-related filings, entities would be able to quickly identify particular filings of interest to them, and could then obtain additional information through the Commission's Document Management System. By requiring the utilities to post their initial filings on the day those filings are made, entities would be provided with a needed "heads up" that a new filing concerning a particular issue has been made, which would facilitate a timely response on their part. Entities could choose to actively participate in such proceedings or could follow the progress of dockets in which they choose not to actively participate.

Eighth, in order to garner input from any entities that may have an interest in, or be affected by, any proposed CESP or CESP-related filing, the advisory committees contemplated by the Proposed Framework should be "constructed" so as to include the input of as many interested and/or impacted entities as possible. Many diverse interests have a stake in the CESP and related dockets, and the CESP should recognize this fact and facilitate the participation of those diverse interests in the advisory groups.

The Marriotts submit that, at a minimum, in addition to the Consumer Advocate and the Public Benefits Administrator, there should be at least one representative of each customer class/rate schedule, representatives of community and conservation organizations, representatives of county and state offices and organizations, and representatives of third parties

that supply renewable and DG/CHP equipment. The Marriotts further submit that inclusion of these parties in an advisory group should be mandatory (unless there is simply no entity willing to represent a particular interest).

Moreover, the Marriotts are concerned that there does not appear to be a specific selection or other process for forming advisory committees or designating the members of such committees. Consistent with the principle that such committees should include a broad and diverse range of interests, the Marriotts respectfully submit that, initially, any entity that desires to participate in the CESP process as an advisory committee member should be automatically granted the right to participate. If more than one entity representing a particular interest with respect to a particular utility requests to be a member of an advisory committee, those entities should select one entity to be their designated representative on a particular committee. The representative so chosen would have the task of receiving input from each of the other entities, and representing their joint interests in any advisory group meetings.

Finally, the Marriotts respectfully submit that advisory committees formed pursuant to the CESP should automatically be accorded intervenor status (with all associated rights) with respect to any filing made by a utility that addresses an issue on which the advisory committee has provided input. In making any new filing, a utility would be required to state whether it sought or received input from any particular advisory group, and, if so, would be required to provide the name of the advisory group. The advisory group would be notified of the filing by the utility and designated as an intervenor.

These suggestions are designed to ensure maximum participation in the CESP by all entities that have a stake in the outcome.

Ninth, in Section III.E.3, the CESP appears to state that the deadline for intervention in a CESP Action Plan docket (and, perhaps, other related dockets) would be twenty (20) days following the publication of a notice of the filing by the utility. The Marriotts respectfully submit that intervention is governed by the Commission rules and any order the Commission issues in a particular docket. The Marriotts believe that the above proposal is confusing and may lead to inadvertently “missed” deadlines. For these reasons, the Marriotts do not support a change to long-standing Commission rules and procedures governing intervention and participation.

III. PRELIMINARY PROPOSED MODIFICATIONS

As discussed above, the Marriotts will accept the modifications to the existing IRP Framework as proposed by the HCEI parties, assuming the Marriotts modifications to those proposals are adopted as well. Thus, the Marriotts have made their specific proposed modifications to the Proposed CESP Framework dated April 28, 2009. The modifications are set forth in the blackline/strikeout version of the Proposed CESP Framework included in Appendix 1 to this pleading. These modifications address both the principles discussed above and other self-explanatory modifications, generally of a technical or clarifying nature.

IV. CONCLUSION

For all of the reasons set forth herein, the Marriotts, jointly and severally, request that the Commission modify the existing IRP Framework by adopting the April 28, 2009 Proposed CESP Framework as discussed herein and as modified by the Marriotts in their Proposed Modifications to that document as set forth in Appendix 1.

Respectfully Submitted,

**JW MARRIOTT IHILANI RESORT & SPA,
WAIKOLOA MARRIOTT BEACH RESORT & SPA,
MAUI OCEAN CLUB, WAILEA MARRIOTT, AND
ESSEX HOUSE CONDOMINIUM CORPORATION,
ON BEHALF OF
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Dated: October 2, 2009

APPENDIX 1

Marriott's Proposed Modifications To "A Proposed Framework For Clean Energy Scenario Planning" Dated: April 28, 2009

Proposed Additions Are Indicated By Underlining

Proposed ~~Deletions~~ Are Indicated By Strikeout

October 2, 2009

**Preliminary Proposed Modifications To The Proposed CESP Framework
Of The Marriotts**

**The Marriotts Reserve The Right To Propose Further Modifications
And To Revise Any Of The Modifications Presented Herein
In Their Final SOP/Proposed Modifications**

Dated: October 2, 2009

A PROPOSED FRAMEWORK FOR CLEAN ENERGY SCENARIO PLANNING

April 28, 2009

Hawaiian Electric Company, Inc.
Hawaii Electric Light Company, Inc.
Maui Electric Company, Ltd.
Division of Consumer Advocacy, Department of Commerce and Consumer Affairs
Kauai Island Utility Cooperative

A PROPOSED FRAMEWORK FOR CLEAN ENERGY SCENARIO PLANNING

April 28, 2009

I. Definitions

Unless otherwise clear from the context, as used in this framework:

“Action Plan” means a program implementation schedule representing a strategy or timetable based on the scenarios analyzed for achieving the utility’s clean energy objectives over the first five-year period of the 20-year planning horizon. The five-year period of the Action Plan is updated with the utility’s evaluation report by dropping the preceding year from the schedule and including a new year.

“CHP” means combined heat and power system which is an electricity generating system whose waste heat is captured and used for heating and/or cooling applications.

“Clean energy” means electrical energy generated using renewable energy as a source or as electrical energy savings brought about by the use of renewable displacement or off-set technologies or energy efficiency technologies as defined as “renewable electrical energy” in HRS ch. 269, part V, section 269-91.

“Clean Energy Investment Zones” means areas shown on the Locational Value Map where there is a high value to incremental investment in distributed generation, demand response, energy efficiency, or CHP.

“Clean energy objectives” means moving Hawaii towards achieving a sustainable, clean, flexible, and economically vibrant energy future.

“Clean Energy Scenario Planning” or “CESP” means the process governed by this framework which is a mandatory guide for the utilities.

“Demand-side management” or “DSM” means programs designed to influence utility customer uses of energy to produce desired changes in demand. It includes conservation, energy efficiency, demand response, and renewable substitution.

“Distributed Generation” or “DG” means ~~small-scale~~ electric generating technologies installed at, or in close proximity to, the end-user’s location, including, but not limited to, combined heat and power (“CHP”) facilities. ~~[From D&O 22248 background.]~~ Marriotts Comment: The term “small scale” should be defined or eliminated.

~~“Energy Agreement” means the October 2008 Energy Agreement Among the State of Hawaii, Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and the Hawaiian Electric Companies.~~

"Feed-in-Tariff" or "FIT" means a set of standardized, published purchased power rates, including terms and conditions, which the utility will pay for each type of renewable energy resource based on project size fed to the grid. ~~[From Energy Agreement summary page 3 which is referenced in the Commission's order opening Docket No. 2008-0273.]~~

"Hawaii Revised Statutes" or "HRS" means current laws governing the State of Hawaii.

"Hawaii Clean Energy Initiative" or "HCEI" means the Memorandum of Understanding between the Governor of the State of Hawaii and the U.S. Department of Energy signed in January 2008, having the goal to decrease energy demand and accelerate use of renewable, indigenous energy resources in Hawaii in residential, building, industrial, utility, and transportation end-use sectors, so that efficiency and renewable energy resources will be sufficient to meet 70% of Hawaii's energy demand by 2030.

"Locational Value Map" or "LVM" means geographic areas of distribution system growth within the next 3-5 years where distributed resources and energy efficiency could be beneficial within the existing transmission and distribution system limits. However, proposed distributed resource and energy efficiency projects that are not within any geographic area so identified shall not be evaluated differently or subject to any different standards than such projects within those areas.

"Net Energy Metering" or "NEM" means measuring the difference between the electricity supplied through the electric grid and the electricity generated by an eligible customer-generator and fed back to the electric grid over a monthly billing period as defined in HRS ch. 269, part VI, section 269-101.

"Program" means resources and/or activities in the CESP scenarios and/or CESP Action Plan.

"Public Benefit Fee Administrator" or "PBF Administrator" means the third-party administrator of energy efficiency demand-side management programs as defined in HRS ch. 269, part VII, section 269-122.

"Renewable Energy Infrastructure Program" or "REIP" means a mechanism approved by the Public Utilities Commission of the State of Hawaii designed to timely recover costs incurred by the electric utility for the development of and investment in renewable energy infrastructure projects in order to facilitate third-party development of renewable energy resources and maintain current renewable energy resources. The REIP includes the Clean Energy Infrastructure Surcharge included in the Energy Agreement. Marriotts Comment: The Marriotts observe that there is only one other brief reference to REIP in the CESP.

"Renewable Energy Zones" or "REZ" means identification of areas that contain significant renewable energy potential. However, proposed renewable energy projects that are not within any geographic area so identified shall not be evaluated differently or subject to any different standards than such projects within those areas.

"Renewable Portfolio Standards" or "RPS" means the current law governing the State of Hawaii as defined in HRS ch. 269, part V.

"Request for Proposal" or "RFP" means a written request for proposal issued by the electric utility to solicit bids from interested third-parties, and where applicable from the utility or its affiliate, to supply a future generation resource of a block of generation resources to the utility pursuant to the competitive bidding process. ~~[Framework for Competitive Bidding DEFINITIONS]~~

"Scenarios" means a range of possible futures reflecting possible energy-related policy choices and risks facing the utility and its customers.

"Supply-side programs" means programs designed to supply power either to the utility grid or to a particular customer or entity, including, but not limited to, ~~It includes~~ renewable energy, DG/CHP, and independent power producers

"Total resource cost" means the total cost composed of the utility costs and the costs by participants in the demand-side management programs. Offsetting benefits must be quantified and accounted for as a credit against total costs.

"Utility costs" means the costs to the utility (including ratepayers), excluding costs incurred by participants in a demand-side management program.

II. Introduction

A. Goal of Clean Energy Scenario Planning

The goal of Clean Energy Scenario Planning ("CESP") is to develop CESP scenarios that will provide high level guidance on a long term (10-20 years) direction, which will then be utilized to develop a CESP Action Plan for near term initiatives (5 years), balancing how the utility will meet clean energy objectives, customers' expected energy needs, and protecting system reliability at reasonable costs under various scenarios. ~~[Energy Agreement Initiative No. 32, first bullet on page 36]~~

B. Governing Principles (Statements of Policy)

1. The development of the CESP scenarios and the CESP Action Plan are the responsibility of each utility.
2. CESP scenarios and the CESP Action Plan shall comport with state and county environmental, health, and safety laws and any applicable rules, regulations and/or orders, and formally adopted state and county plans.
3. CESP scenarios and the CESP Action Plan shall be developed upon consideration and analyses of the costs, effectiveness, and benefits, and risks of appropriate, available,

and feasible supply-side and demand-side options as guidance for Hawaii's clean energy future based on the HCEI Energy Agreement.

4. CESP scenarios and the CESP Action Plan shall give consideration to the plans' impacts upon the utility's consumers, the environment, culture, community lifestyles, the State's economy, and society.
5. CESP scenarios and the CESP Action Plan shall take into consideration the need to preserve a stable electric grid and financially sound electric utility as vital components of our renewable energy future. ~~{Energy Agreement, sixth paragraph, page 1}~~
6. Clean energy scenario planning shall be an open public process. Opportunities shall be provided for participation by the public and governmental agencies in the development and in Commission review of the CESP scenarios and CESP Action Plan.
7. The utility is entitled to recover all appropriate and reasonable clean energy scenario planning and implementation costs as determined by the Public Utilities Commission of the State of Hawaii after an appropriate filing and hearing procedures.
8. The clean energy scenario planning process shall be focused on planning scenario analyses that provides flexibility across a wide range of potential futures and uncertainties for achieving Hawaii's clean energy future based on the HCEI Energy Agreement. ~~{Energy Agreement Initiative 33, subpart 1, page 40}~~
- ~~8.9.~~ The CESP scenarios and CESP Action Plans shall encourage the increased use of distributed generation, and combined heat and power ("CHP") projects in particular, in meeting future energy needs to the maximum extent possible.

C. Utility's Responsibility

1. Each utility is responsible for developing a reasonable number of CESP scenarios for meeting the energy needs of its customers to reflect a range of possible energy-related policy choices and risks facing the State, its utilities, and citizens. ~~{Energy Agreement Initiative No. 33, subpart a, page 38}~~ The CESP scenarios will be evaluated to help formulate the CESP Action Plan, covering a 5-year implementation period.
2. The utility shall prepare and submit to the Commission for Commission approval at the time or times specified in this framework the utility's CESP Action Plan. The utility shall post on its website, on the same date as such submission is filed with the Commission, a copy of its CESP Action Plan in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the submission by the Commission.

3. The utility shall execute the Commission approved CESP Action Plan in accordance with the CESP Framework. As part of this execution, the utility shall file for Commission review and approval individual applications for programs or elements of the CESP Action Plan that requires specific Commission approval.
4. In its development of the CESP scenarios and CESP Action Plan, the utility shall comply with State initiatives and Commission proceedings that consider such issues, but not limited to: 1) Competitive Bidding for future generation; 2) State Renewable Energy Portfolio Standards; 3) Energy Efficiency; 4) Renewable Energy Infrastructure Programs; 5) Distributed Generation, including Combined Heat and Power ("CHP"); 6) Net Energy Metering; 7) Feed-in Tariffs; 8) Advanced Metering Infrastructure ("AMI"); 9) Energy Efficiency Portfolio Standards ("EEPS"); and 10) Greenhouse Gas ("GHG") initiatives.

D. Commission's Responsibility

1. The Commission's responsibility, in general, is to determine whether the utility's CESP scenarios and CESP Action Plan represents a reasonable course for meeting the energy needs of the utility's customers, is in the public interest, is consistent with this Clean Energy Scenario Planning Framework, and provides strategic guidance for future utility planning to achieve Hawaii's clean energy future based on the HCEI Energy Agreement.
2. The Commission will review and approve in whole or in part the utility's CESP as a reasonable course for meeting the energy needs of the utility's customers, will determine whether the utility's CESP is in the public interest, and is consistent with this Clean Energy Scenario Planning Framework. The Commission will review the utility's CESP and issue an order approving or denying the CESP Action Plan within six (6) months of the filing. If the Commission does not issue a decision within the six month period, the CESP Action Plan is automatically deemed "approved". ~~[Energy Agreement Initiative No. 33, subpart p, page 41.]~~ Approval should elevate the status of the preferred resources identified in the CESP Action Plan, including DSM programs administered by the Public Benefit Fee Administrator, third-party Independent Power Producer ("IPP") projects, and utility resources, to give them a presumption of need in any subsequent siting proceeding. ~~[Energy Agreement Initiative No. 33, subpart e, page 41]~~ If the Commission rejects all or parts of the CESP filed, there should be an explanation for non-approval and the implications of that non-approval on the utility's asset investment and strategic choices for the upcoming three-year period. ~~[Energy Agreement Initiative No. 33, subpart p, page 41.]~~
3. The Commission acknowledges that the purpose of the CESP is to provide strategic guidance for future utility planning to achieve Hawaii's clean energy future, and that its review and any approval given to the CESP will apply only to high level planning issues. Thus, the utility will file for Commission review and approval individual applications for programs or elements of the CESP Action Plan that requires specific

Commission approval. The utility may file such applications before the Commission issues a final decision approving the CESP Action Plan and the Commission may review these individual applications for programs in parallel with the review of the CESP Action Plan. The utility shall post on its website, on the same date as any such application is filed with the Commission, a copy of the application in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the application by the Commission.

E. Consumer Advocate's Responsibility

1. The Director of Commerce and Consumer Affairs, as the Consumer Advocate and through the Division of Consumer Advocacy, has the statutory responsibility to represent, protect, and advance the interest of consumers of utility services. The Consumer Advocate, therefore, has the duty to ensure that the utility's CESP scenarios and CESP Action Plan promotes the interest of utility consumers.
2. The Consumer Advocate shall be a party to each utility's clean energy scenario planning docket and a member of any and all advisory committees established by the utility in the development of its CESP scenarios and CESP Action Plan. The Consumer Advocate shall also participate in all public hearings and other sessions held in furtherance of the utility's efforts in clean energy scenario planning.

F. Public Benefit Fee ("PBF") Administrator's Responsibility

1. The PBF Administrator's responsibility, in general, is to administer all energy efficiency programs in accordance with Public Benefits Fee HRS ch. 269, part VII and Docket No. 2007-0323.
2. The PBF Administrator shall be a party to each utility's clean energy scenario planning docket and a member of any and all advisory committees established by the utility in the development of its CESP scenarios and CESP Action Plan. The PBF Administrator shall also participate in all public hearings and other sessions held in furtherance of the utility's efforts in clean energy scenario planning.

III. The Planning Context

A. Major Steps

There are three major steps in the clean energy scenario planning process: planning, programming, and implementation.

1. Planning is that process in which the utility's needs are identified; the assumptions, costs, risks, and uncertainties are clarified; Locational Value Maps are developed; and resource and program choices are subjected to scenario analyses to reflect a range of

the possible energy-related policy choices and risks facing the utility systems and citizens. The product of this process is the utility's CESP scenarios. The planning horizon for the utility CESP is 20 years. Unless otherwise ordered by the Commission, the 20-year period begins January 1 following the completion of the CESP.

2. Programming is that process by which the utility's CESP scenarios are evaluated and programs or elements from one or more scenarios are scheduled for implementation over a five-year period. In this process, a determination is made as to the order in which the selected program options are to be implemented; the phases or steps in which each program is to be implemented; the expected target group and the annual size of the target group or annual level of penetration of demand-side management programs; the expected annual supply-side capacity additions and the identification of the resource procurement method; transmission system additions; and the annual expenditures required to be made by the utility to support implementation of the programs. The result of this process is a program implementation schedule or CESP Action Plan. The CESP Action Plan represents a strategy or timetable for program implementation.
3. Implementation is that process by which the resource program options to be implemented are acquired and instituted in accordance with the utility's CESP Action Plan.
- 3.4. Nothing herein shall be construed as permitting a utility to obtain confidential information from an entity or to disclose confidential information provided to it by a entity unless the utility has first obtained written permission from an authorized representative of that entity.

B. The Planning Cycle

1. Each utility shall conduct its initial CESP for submittal to the Commission by the following dates:
 - a. Hawaiian Electric Company, Inc.: 18 months after issuance of D&O for this framework.
 - b. Hawaii Electric Light Company, Inc.: 18 months after issuance of D&O for this framework.
 - c. Maui Electric Company, Limited: 18 months after issuance of D&O for this framework.
 - d. Kauai Island Utility Cooperative: To be determined.

Utilities that are affiliated shall conduct their clean energy scenario planning in coordination with each other or in parallel since the clean energy scenario plan for

one island utility may affect the choices and actions of another island utility. ~~[Energy Agreement Initiative No. 32, third bullet on page 36]~~

2. Each utility shall conduct a major review of its CESP every three years. ~~[Consistent with Energy Agreement Initiative No. 32, second bullet on page 36]~~ In such a review, a new 20-year time horizon shall be adopted, the planning process repeated, and the utility's resource programs re-analyzed fully. A major review shall be conducted by each utility, resulting in the submission to the Commission of new CESP scenarios and CESP Action Plan in the same month every three years from the filing of the initial CESP.

C. The Docket

1. Each planning cycle for a utility will commence with the issuance of an order by the Commission opening a docket for clean energy scenario planning. The utility shall post on its website, on the same date as any such order is filed with the Commission, a copy of the order in downloadable, PDF format under the heading "CESP And Related Filings And Orders."
2. The docket will be maintained throughout the planning cycle for the filing of documents, the resolution of procedural disputes, and other purposes related to the utility's CESP scenarios and CESP Action Plan.
3. Within 30 days after the opening of the docket, the utility shall prepare, in consultation with the Consumer Advocate and any entities that have been granted intervenor or participant status, and file with the Commission a schedule that it intends to follow in the development of its CESP scenarios and CESP Action Plan. The schedule may be amended upon the formation of an advisory committee or committees and thereafter as appropriate.
4. The utility shall complete its CESP scenarios and CESP Action Plan within one year of the commencement of the planning cycle.

D. Submissions to the Commission

1. The utility shall submit its CESP to the Commission, and shall post on its website, on the same date as any such submission is filed with the Commission, a copy of the application in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the submission by the Commission, which The CESP will include the CESP scenarios and CESP Action Plan as follows.
 - a. The utility shall include in its CESP a detailed description of:
 - (i) The factors and assumptions underlying the development of each scenario, which includes but is not limited to: (a) the generation and transmission

needs identified; (b) the proposed procurement method for generation resources identified in the plans; (c) the forecasts made; (d) the assumptions underlying the forecasts; (e) the assumptions and the basis of the assumptions underlying the plans; (f) the risks and uncertainties associated with the plans; (g) the total resource cost of the plans; (h) the expected impact of the plans on demand; and (i) estimates of potential impact of the plans on customer rates and bills.

(ii) ~~Locational Value Maps identifying geographic areas of distribution system growth~~ identifying geographic areas of distribution system growth within the next 3-5 years where distributed resources and energy efficiency could be beneficial within the existing transmission and distribution system limits. (However, proposed distributed resource and energy efficiency projects that are not within any geographic area so identified shall not be evaluated differently or subject to any different standards than such projects within those areas.)

(iii) Renewable Energy Zones identifying potential areas of renewable energy development.

b. A reasonable number of CESP scenarios shall be analyzed and developed to reflect a range of possible energy-related policy choices and risks facing the utility systems and citizens. These scenarios may ~~feature~~ include, but are not limited to, different policy backdrops, such as major increases or decreases in oil prices, policy changes such as federal or international carbon regulation or the adoption of plug-in hybrid electric vehicles/electric vehicles, as well as different resource policies such as higher levels of energy efficiency, demand response, and renewable substitution (e.g., solar water heating and seawater-cooled air conditioning). ~~[Energy Agreement Initiative No. 33, subpart a, page 38]~~ In addition, these scenarios may feature different economic and financial backdrops, such as ranges of future State economic health and ranges of future financial market conditions. The CESP scenarios will guide the utility to develop its CESP Action Plan.

c. The submissions should be simple and clearly written and, to the extent possible, in non-technical language. Charts, graphs, and other visual devices may be utilized to aid in understanding its plan and the analyses made by the utility. The utility shall provide an executive summary of the plan and of the analyses and appropriately index its submissions.

~~e.d.~~ The utility shall file a full and detailed description of the analysis or analyses on which the CESP is based.

~~e.e.~~ The utility shall file a description of any alternate CESPs developed by the utility and an explanation as to why each alternate was rejected.

2. The utility shall submit its CESP Action Plan to the Commission, and shall post on its website, on the same date as any such submission is filed with the Commission, a

copy of the application in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the submission by the Commission.~~its CESP Action Plan as follows.~~

- a. The CESP Action Plan will be developed based on the CESP scenarios analyzed. The CESP Action Plan may contain elements or programs from one or more of the CESP scenarios. The evaluation of which elements to be included in the CESP Action Plan should be based on factors including but not limited to: (i) achieving state clean energy objectives; (ii) timing flexibility; and (iii) preserving a stable electric grid for the state's renewable energy future.
- b. Information pertaining to energy efficiency demand-side management programs shall be provided to the utility from the PBF Administrator. The PBF Administrator shall include its projection of the energy and demand savings resulting from its energy efficiency programs and the expenditures required to be made to support the implementation of the energy efficiency programs.
- c. The utility shall include its projection of the energy and demand savings resulting from its demand response programs and any pilot DSM programs authorized by the Public Utilities Commission of the State of Hawaii and the expenditures required to be made to support the implementation of these programs.
- d. The utility shall include the expected supply-side capacity additions, the proposed procurement method for the supply-side additions (including the use of exemption or waiver from Competitive Bidding), and the cost required to be made by the utility to support the implementation of the supply-side resource options as well as an estimate of any benefits that offset such costs.
- e. The utility shall include the expected transmission system additions and the estimated cost required to be made by the utility to support the implementation of the transmission additions as well as an estimate of any benefits that offset such costs.
- f. The utility shall include identification of smart grid improvements and upgrades to the utility system and the estimated cost required to be made by the utility to support the implementation of any smart grid improvements as well as an estimate of any benefits that offset such costs.
- g. The utility shall file with its CESP Action Plan a full description of the analysis upon which the schedule is based.
- h. The CESP Action Plan shall also be accompanied by the utility's estimated costs and proposals for cost recovery, as appropriate, as well as an estimate of any benefits that offset such costs.

- i. The CESP Action Plan shall include any effort related to the implementation of the Framework for Competitive Bidding, including, but not limited to, the development of the request for proposal, parallel planning, and contingency planning.
3. The utility shall submit an evaluation report to the Commission, and shall post on its website, on the same date as any such report is filed with the Commission, a copy of the report in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the submission by the Commission ~~as follows~~.
 - a. The utility shall submit a minimum of one evaluation report between CESP cycles, preferably in the middle of the three years.
 - b. The utility shall include in its evaluation, an assessment of the continuing validity of the forecasts and assumptions upon which its CESP Action Plan was fashioned, and update these assumptions as appropriate. Information pertaining to energy efficiency demand-side management programs shall be provided to the utility from the PBF Administrator.
 - c. The utility and the PBF Administrator shall also include for each demand response and energy efficiency program respectively included in the CESP Action Plan for the immediately preceding year a comparison of:
 - (1) The expenditures anticipated to be made and the expenditures actually made.
 - (2) The level of achievement of energy and demand impacts anticipated and the level actually attained.
 - d. The utility and the PBF Administrator shall provide an assessment of all substantial differences between original estimates and actual experience and of what the actual experience portends for the future. The PBF Administrator shall provide relevant information to the utility for incorporation into its evaluation report.
 - e. As part of its evaluation, the utility shall submit a revised CESP Action Plan that drops the immediately preceding year(s) from the schedule of the CESP Action Plan and include a corresponding new year(s). The CESP Action Plan must always reflect a five-year time span.
4. The utility may at any time, as a result of its evaluation or change in conditions, circumstances, or assumptions, revise or amend its CESP Action Plan, including LVMs and REZ. All revisions and amendments must conform to the appropriate requirements of this part D and shall be filed with the Commission, and shall be posted on the utility's website, on the same date as any such revision and/or

amendment is filed with the Commission, a copy of same in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the submission by the Commission.

5. The utility may, at any time, request a waiver from the Commission from any or all of the provisions of the CESP Framework, provided that it simultaneously serves the parties to the docket. In addition, the utility shall post on its website, on the same date as any such request is filed with the Commission, a copy of the request in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the request by the Commission. A utility seeking such a waiver shall have the burden of showing, to the Commission's satisfaction, that compliance with the CESP Framework, or any of its provisions, is impossible, impractical, inappropriate or economically infeasible. Any waiver that a utility may seek should be sought at the earliest feasible and possible moment, at least not later than the moment it becomes apparent that the utility does not intend to comply with a particular CESP Framework requirement.

- ~~6. Notwithstanding the above, the Commission, upon a showing or submission that a utility has an ownership structure in which there is no substantial difference in economic interests between its owners and its customers⁺, may waive or exempt that utility from any or all of the provisions of the CESP Framework.~~ Marriotts Comment: This section is unnecessary as a utility or cooperative may apply for a waiver on specific grounds.

- ~~7.6.~~ The CESP Action Plan approved by the Commission shall provide guidance for all utility expenditures for capital projects, purchased power, and demand response programs, and the PBF Administrator's expenditure for energy efficiency programs. Notwithstanding approval of the CESP Action Plan: (a) an expenditure for any capital project in excess of \$2,500,000, excluding customer contributions, shall be submitted to the Commission for review as provided in paragraph 2.3. g. 2 of General Order No.7 (as amended by Decision and Order No. 21002, filed May 27, 2004 in Docket No. 03-0257); and (b) no obligation under any purchased power contract shall be undertaken and no expenditure for any specific demand-side management program included in the CESP Action Plan shall be made without prior Commission approval of the purchased power contract or demand-side management program. Projects and programs do not have to be included in the approved CESP Action Plan to be consistent with the CESP. Specific capital expenditures projects may not be identified or discussed in the CESP process because they are generally described as generic projects. All power purchases from qualifying facilities and independent power producers shall be subject to statute and Commission rules and also may not be identified or specifically discussed in the CESP because proposals may be received at unforeseen times. Other types of projects, such as distribution projects, generally will not be analyzed in the CESP process but the distribution planning process is

⁺ Such as a member owned cooperative.

coordinated with the CESP. The utility should file an amendment to the CESP addressing any projects received at unforeseen times.

- ~~8-7.~~ The CESP scenarios and CESP Action Plan resulting from this planning framework ~~is~~^{are} not fixed and unchanging. The CESP scenarios and CESP Action Plan shall be flexible enough to account for changes in planning assumptions and forecasts. This will allow for major decisions regarding the implementation of program options (both supply-side and demand-side resources) to be made incrementally, based on the best available information at the time decisions must be made. The CESP scenario analyses shall identify what information is critical to the decision making process, and also identify when the strategic decisions need to be made.

E. Public Participation

To encourage public participation in each utility's clean energy scenario planning process, opportunities for such participation shall be provided through advisory committees to the utility, public hearings, and interventions in formal proceedings before the Commission.

1. Advisory Committees

- a. The utility shall organize in each county in which the utility provides service or conducts utility business a group or groups of representatives of public and private entities, designated as advisory committees, to provide input to the utility and the PBF Administrator in the development of its CESP. ~~A separate advisory committee may be formed for each stage of the planning process, as appropriate.~~ The utility shall chair each advisory committee. The advisory committees shall include representatives from each of the customer classes of the utility, county and state agencies, conservation groups, commercial entities that provide equipment, and other entities with a legitimate interest. Any entity desiring to participate in an advisory committee shall notify the utility in writing and shall be included as a member of the advisory committee. In the event that more than one entity representing the same or a substantially similar interest becomes a member of an advisory committee, one such advisory committee member shall be selected by the other members to participate on behalf of that interest.
- b. The public and private entities includable in an advisory committee are those that represent interests that are affected by the utility's CESP scenarios and that can provide significant perspective or useful expertise in the development of the scenarios. ~~These entities include state and county agencies and environmental, cultural, business, and community interest groups.~~ An advisory committee should be representative of as broad a spectrum of interests as possible, ~~subject to the limitation that the interests represented should not be so numerous as to make deliberations as a group unwieldy and to allow for the timely completion and filing of a CESP~~

- c. The utility shall hold meetings with the advisory committee during key phases of the process with a minimum quarterly participation to the extent meaningful and practical. ~~[From HECO/HELCO/MECO IRP 3 Stipulations and HELCO/MECO Orders approving IRP 3]~~ The PBF Administrator shall attend meetings to support their forecast of energy efficiency programs.
- d. The utility shall consider the input of each advisory committee; but the utility is not bound to follow the advice of any advisory committee. The utility shall state its reasons for rejecting a particular proposal and advisory committee members are permitted to file any objections that they have with the Commission.
- e. All data reasonably necessary for an advisory committee to participate in the utility's clean energy scenario planning process shall be provided by the utility, subject to the need to protect the confidentiality of customer-specific and proprietary information.
- f. The use by the advisory committees of the collaborative process is encouraged to arrive at a consensus on issues.
- g. All reasonable out-of-pocket costs incurred by participants in advisory committees (other than governmental agencies) shall be paid for by the utility, subject to recovery as part of the utility's cost of clean energy scenario planning. Marriotts Comment: This section requires clarification – precisely what costs are contemplated here?

2. Public hearings

- a. The utility is encouraged to conduct public meetings or provide public forums at the various, discrete phases of the planning process for the purpose of securing the input of ~~those members of the public who are not represented by entities constituting advisory committees.~~
- b. Upon the filing of requests for approval of a CESP Action Plan, the Commission may, and it shall where required by statute, conduct public hearings for the purpose of securing public input on the utility's proposal. The Commission may also conduct such informal public meetings as it deems advisable.

3. Intervention

- a. Upon the filing of its CESP, the utility shall cause to be published in a newspaper of general circulation in the State a notice informing the general public that the utility has filed its proposed CESP Action Plan with the Commission for the Commission's approval. The utility shall post on its website, on the same date as any such filing is filed with the Commission, a

copy of the filing in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the filing by the Commission.

- b. To encourage public awareness of the filing of the CESP, a copy of the CESP Action Plan and the supporting analysis shall be available for public review at the Commission's office and at the office of the Commission's representative in the county serviced by the utility. The utilities shall provide copies of these documents online on its website. Each utility shall note the availability of the documents for public review at these locations in its published notice. The utility shall make copies of the executive summary of the plan and the analysis available to the general public at no cost, except the cost of duplication.
- c. Applications to intervene or to participate without intervention in any proceeding in which a utility seeks Commission approval of its CESP Action Plan are subject to the rules prescribed in Hawaii Administrative Rules, Chapter 6-61 (Rules of Practice and Procedure before the Public Utilities Commission);
~~except that such applications may be filed with the Commission not later than 20 days after the publication by the utility of a notice informing the general public of the filing of the utility's application for Commission approval of its CESP Action Plan, notwithstanding the opening of the docket before such publication and any order issued by the Commission regarding same.~~
- ~~e.d.~~ An advisory committee that has provided input on any issue addressed in a utility's filing shall be designated as an intervenor in any proceeding instituted by the Commission to address that filing. The utility shall inform the Commission of any such advisory committee in its initial filing.
- ~~e.e.~~ A person's status as an intervenor or participant shall continue through the life of the docket, unless the person voluntarily withdraws or is dismissed as an intervenor or participant by the Commission for cause.

4. Intervenor funding

- a. Upon the issuance of the Commission's final order on a utility's CESP Action Plan or any amendment to the CESP Action Plan, the Commission may grant an intervenor or participant (other than a governmental agency, a for-profit entity, and an association of for-profit entities) recovery of all or part of the intervenor's or participant's direct out-of-pocket costs reasonably and necessarily incurred in intervention or participation. Any recovery and the amount of such recovery are in the sole discretion of the Commission. All intervenors and participants (who plan to seek intervenor funding) must file a budget with the Commission within 30 days after intervention is granted, setting forth:
 - (1) the estimated cost of intervention or participation;

- (2) the level of funding expected to be funded from other sources; and
- (3) the net amount expected to be recovered from utility ratepayers.
- b. To be eligible for such recovery:
 - (1) The intervenor or participant must show a need for financial assistance;
 - (2) The intervenor or participant must demonstrate that it has made reasonable efforts to secure funding elsewhere, without success;
 - (3) The intervenor or participant must maintain accurate and meaningful books of account on the expenditures incurred; and
 - (4) The Commission must find that the intervenor or participant made a substantial contribution in assisting the Commission in arriving at its decision.
- c. The intervenor's or participant's books of account are subject to audit, and the Commission may impose other requirements in any specific case.
- d. Such allowance may be made only upon the application of the intervenor or participant within 20 days after the issuance of the Commission's final order, together with justification and documented proof of the costs incurred.
- e. The costs of intervenor funding shall be paid for by the utility, subject to recovery as part of its costs of clean energy scenario planning.

F. Cost Recovery and Incentives

The utility is entitled to recover its clean energy scenario planning and implementation costs that are reasonably incurred, including the costs of planning and implementing pilot and full-scale utility demand-side management programs; as determined by the Public Utilities Commission of the State of Hawaii after an appropriate filing and hearing.

1.

- a. ~~The Any~~ cost recovery may only be ~~had through the following mechanisms as~~ authorized by the Public Utilities Commission of the State of Hawaii after an appropriate filing and hearing. Requested cost recovery mechanisms may include, but are not limited to:
 - (1) Base rate recovery--the inclusion of costs in the utility's base rate during each rate case. The utility shall record costs associated with the clean energy scenario planning in separate accounts to allow review of the actual costs incurred to the forecasted costs presented in each rate case.

- (2) Ratebasing--the inclusion of costs that are capital in character (i.e., expenditures considered to produce long-term savings or benefits, such as appliance rebates, loans, etc.), with accumulated AFUDC, in the utility's rate base at its next rate case. The costs are to be amortized over a period set by the Commission.
- (3) Escrow accounting--the accumulation, with interest, of costs, not capital in character, incurred between rate cases and not otherwise recovered through the utility's base rates, adjustment clause, or rate base, in a deferred account, to be amortized over a period set by the Commission.

- b. The Commission will determine the appropriate mechanism for the recovery of costs associated with demand-side management programs when specific demand-side management programs are submitted for Commission approval. Cost recovery for other CESP programs generally will be addressed in each utility's rate case.

~~2. Under appropriate circumstances, the Commission may provide the PBF Administrator with incentives to encourage participation in and promotion of full-scale energy efficiency programs.~~

- ~~a. The incentives may take any form approved by the Commission. Among the possible forms are:~~

- ~~(1) Granting the PBF Administrator a percentage share of the gross or net benefits attributable to energy efficiency programs (shared savings).~~

- ~~(2) Granting the PBF Administrator a percentage of certain specific expenditures it makes in energy efficiency programs (mark-up).~~

- ~~b. The Commission will determine whether the PBF Administrator will be provided with incentives and the form of such incentives, if any, when specific energy efficiency programs are submitted for approval. The PBF Administrator may propose incentive forms for a particular program, based on the particular attributes of the program and the results to be attained.~~

- ~~c. The Commission may terminate any and all incentives whenever circumstances or conditions warrant such termination.~~

IV. Planning Considerations

A. Energy and Demand Forecasts

1. The utility shall develop forecasts of the amount of energy consumers will need and the expected annual peak demand over the planning horizon. It shall develop load

forecasts for a reasonable number of scenarios that are developed as necessary or appropriate in the development of its CESP scenarios. The utility may retain expert consultants to assist in the development of an economic outlook and for other specialized and technical needs related to this purpose.

2. The utilities may initiate various research programs to obtain detailed energy usage information about Hawaii energy customers so this information can be used to develop energy efficiency program designs and forecasts for future energy planning efforts.
3. To the extent practical, the utility should provide load by geographic location on its system.

B. Fuel Forecasts

1. The utility shall develop forecasts of the cost of fuel over the planning horizon. It shall develop fuel forecasts for a reasonable number of scenarios that are developed as necessary or appropriate in the development of its CESP scenarios. The utility may retain expert consultants to assist in the development of the fuel forecasts and for other specialized and technical needs related to this purpose. The utility may recover costs associated with this section only upon approval of the Commission after an appropriate filing and hearing.

C. Demand-Side Management Forecasts

1. Energy Efficiency – The PBF Administrator shall administer all energy efficiency programs in accordance with Public Benefits Fee HRS ch. 269, part VII and Docket No. 2007-0323. The utilities shall support and participate in the PBF Administrator's implementation of the energy efficiency programs.
 - a. The PBF Administrator, utilities, and stakeholders, ~~such as~~ including, but not limited to, as the advisory committee and parties to any of the various dockets related to the CESP, shall work together in a collaborative process to design effective, high-impact energy efficiency programs that will be implemented in the Action Plan.
 - b. The PBF Administrator shall lead, in collaboration with the utility and the State, new studies and forecasts to determine the technical and economic potential for a broad variety of energy efficiency measures within Hawaii.
2. Demand Response – The utility shall be responsible for the administration of demand response and load management programs because of the need to monitor electrical system status while deciding when and to what degree to invoke the demand reductions available through demand response programs. Third-party demand response and load curtailment aggregators should be allowed to support and participate in the utilities' implementation of the demand response programs.

a. Program costs for existing load management and any new pilots and full-scale demand response programs shall be recovered through the appropriate cost recovery mechanism as determined by the Public Utilities Commission of the State of Hawaii after an appropriate filing and hearing.

a.

b. The utility shall lead, in collaboration with the PBF Administrator and the State, new studies and forecasts to determine the technical and economic potential for a broad variety of demand response measures within Hawaii.

D. Distributed Generation Forecast

1. The utility shall develop a forecast of the amount of distributed generation that could be installed by utility customers, third parties, or the utility over the planning horizon. The distributed generation resources considered in the forecast shall include, but not be limited to, the following:

a. Biofueled and fossil fueled generating resources;

b. Combined heat and power resources;

c. Photovoltaic resources;

d. Small wind and hydro resources; and

e. Other small renewable energy resources as defined by HRS §269-91 of the State's RPS.

Any of these resources to be provided by the utilities must be consistent with Commission orders regarding same. Likewise, any of these resources to be provided by the utilities will be subject to the same standby rates, interconnection tariffs, etc., as other projects undertaken by customers and third parties.

e.

2. The distributed generation forecast shall include reexamination of the following:

a. NEM limits in accordance with Docket No. 2006-0084; and

b. FIT provisions in accordance with Docket No. 2008-0273.

E. Resource Options

1. In the development of its CESP scenarios, the utility shall consider supply-side and demand-side resource options appropriate to Hawaii and available within the years

encompassed by the clean energy scenario planning horizon to meet the stated governing principles and planning context.

2. The utility shall consider among the options the supply-side and demand-side resources or mixes of options currently in use, promoted, planned, or programmed for implementation by the utility. Supply-side and demand-side resource options include those resources that are or may be supplied by persons other than the utility.
 3. The utility shall integrate the Competitive Bidding Framework, Docket No. 03-0372. The CESP scenarios and CESP Action Plan shall identify those resources for which the utility proposes to acquire through competitive bidding, those resources that may be exempt from competitive bidding, and those resources for which the utility will need to seek waivers from competitive bidding, and shall include an explanation of the facts supporting waivers. ~~[Framework for Competitive Bidding section II.C.4.a]~~
 - ~~a. The CESP scenarios and CESP Action Plan shall specify the proposed scope of the Request for Proposal for any specific generation resource or block of generation resources that the CESP states will be subject to competitive bidding, including but not limited to the size, timing, and operational characteristics of the generation resource or block of generation resources. ~~[Framework for Competitive Bidding section II.B.1]~~~~
 - a.
 - b. The utility is unable to predict what type of resource and associated costs will be selected as an outcome of implementing the competitive bidding framework. For the purposes of developing the CESP scenarios, the utility may use generic resource data (i.e., biofueled combustion turbine, wind, PV) available for determining the size, timing, and operational characteristics of future resources. The utility shall provide all resource data used in the development of the CESP scenarios.
 4. The costs and benefits shall, to the extent possible and feasible, be (a) quantified and (b) expressed in dollar terms. When it is neither possible nor feasible to quantify any cost or benefit, such cost or benefit shall be qualitatively measured. The methodology used in quantifying or in qualitatively stating costs and benefits shall be detailed.
- F. Locational Value Maps ~~[Energy Agreement Initiative No. 33, subpart i, page 39]~~
1. The utility shall identify general geographic areas of distribution system growth within the next 3-5 years where distributed resources and energy efficiency could be beneficial within the existing transmission and distribution system limits.
 2. The utility shall identify general geographic areas rather than individual circuits to maximize benefits and incorporate back-up system needs.

3. The information from the Locational Value Maps shall be provided to parties such as the PBF Administrator so that energy efficiency DSM can be focused into geographic areas that would most benefit from energy efficiency DSM programs.
4. The utility should use the Locational Value Map to identify Clean Energy Investment Zones. The utility should publicize the existence of these zones in conjunction with the utility's education efforts following the completion of the CESP. ~~{Energy Agreement Initiative No. 33, subpart j, page 40}~~

G. Renewable Energy Zones ~~{Energy Agreement Initiative No. 33, subpart f, page 39}~~

1. The utility shall identify Renewable Energy Zones where areas of its service territory contain significant renewable resource potential. The CESP shall identify possible infrastructure requirements needed to interconnect the utility's grid to the REZ and operationally integrate renewable resources that may be developed in the REZ with the utility's system.

H. Assumptions; Risks; Uncertainties

1. The utility shall identify the assumptions underlying any forecast, resource option, the cost or benefit of any option or any analysis performed.
2. The utility shall also identify the risks and uncertainties associated with each forecast and resource option.
3. The utility shall further identify any technological limitations, infrastructural constraints, legal and governmental policy requirements, and other constraints that impact on any option or the utility's analysis.

I. Models

1. The utility may utilize any reasonable model or models in comparing resource options and otherwise in analyzing the relative values of the various options or combinations of options.
2. Each model used must be fully described and documented.

J. Analyses

1. The CESP scenarios should focus on higher level planning using a portfolio of energy resources/types rather than identifying specific details on individual resources in the plan. ~~{Energy Agreement Initiative No. 33, subpart a, page 38}~~
2. The utility shall review the CESP scenarios to look for common themes, assets and strategies that demonstrate robust value to balance costs and risks across many of the scenarios evaluated. Resources and strategies that provide the greatest value and

flexibility across a wide range of potential futures and uncertainties shall be identified. ~~[Energy Agreement Initiative No. 33, subpart 1, page 40]~~

3. The CESP scenarios shall identify the preferred energy contributions from various resources, taking into account the differing renewable energy impact, emissions, fossil fuel usage and cost (utility and total resource cost perspective) into consideration. All existing contractual and forward looking operational requirements and constraints on the utility grid shall be factored into the analysis. ~~[Energy Agreement Initiative No. 33, subpart c, second paragraph, page 38]~~
4. The utility shall compare the CESP scenarios on the present value basis. For this purpose, the utility shall discount the estimated annual costs (and benefits, as appropriate) at an appropriate rate. The utility shall fully explain the rationale for its choice of the discount rate.
5. The CESP scenarios shall be supported by quantitative and qualitative analyses to the extent reasonably possible and feasible. ~~[Energy Agreement Initiative No. 33, subpart c, first paragraph, page 38]~~
6. Technical analyses shall be performed to determine the extent to which renewable resources with certain types of characteristics (e.g., variable, as-available resources, or fixed dispatched resources) can be integrated into the utility system grid while maintaining stability and reliability. ~~[Energy Agreement Initiative No. 33, subpart c, third paragraph, page 38]~~
7. The utility shall conduct a high-level load flow transmission system analysis building on the base case planning considerations, evaluating grid conditions and flows for no less than a three-year period. The CESP shall evaluate system level distributed generation and DSM impact, taking into account the aggregate system impact to load and load flows on the transmission system to determine transmission and generation system benefits. New transmission assets triggered by load growth, addition of new or expanded generation, or a change in planning criteria that require Commission approval shall be identified. ~~[Energy Agreement Initiative No. 33, subpart g, page 39]~~
8. The utility shall provide estimates of potential impacts of the CESP scenarios on customer rates and bills.
9. The CESP scenarios shall identify the size, timing, and operational characteristics of future resources in accordance with the Competitive Bidding Framework, Docket No. 03-0372.
10. The CESP scenarios shall provide guidance for the utilities to develop the CESP Action Plan.

V. Pilot Demand-Side Management Programs

A. Purposes

1. A purpose of piloting demand-side management programs is to ascertain whether a given program, not yet proven in Hawaii, is cost-effective--whether it will achieve the objectives as originally believed.
2. A second purpose of piloting demand-side management programs is to determine whether the program design and configuration (including how it is managed and promoted) are such as to permit implementation of the program as efficiently and effectively as desired.

B. Utility Pilot Programs

1. A utility may implement on a full-scale basis (without pilot testing) any demand response program that has been proven cost effective as a result of a full-scale or pilot implementation of the program in another service territory or as a result of pilot testing in Hawaii. Such programs shall only be implemented consistent with Commission orders regarding same. Likewise, such programs shall be subject to the same standby rates, interconnection tariffs, etc., as other projects undertaken by customers and third parties.
2. The utility may develop appropriate pilot demand response programs for implementation without awaiting Commission approval of the utility's CESP Action Plan.

~~3.~~ 3. All utility proposed pilot demand response programs are subject to Commission approval after an appropriate filing and hearing. In addition, the utility shall post on its website, on the same date as any such filing is filed with the Commission, a copy of the filing in downloadable, PDF format under the heading "CESP And Related Filings And Orders." The utility shall simultaneously post the docket number assigned to the filing by the Commission.

CERTIFICATE OF SERVICE

I hereby certify that on this day I have served a copy of the foregoing "Preliminary Statement Of Position And Preliminary Proposed Modifications To The Proposed CESP Framework And Certificate Of Service Of JW Marriott Ihilani Resort & Spa, Waikoloa Marriott Beach Resort & Spa, Maui Ocean Club, Wailea Marriott And Essex House Condominium Corporation, on behalf of Kauai Marriott Resort & Beach Club," by e-mailing one electronic copy of same to each of the following (unless otherwise indicated):

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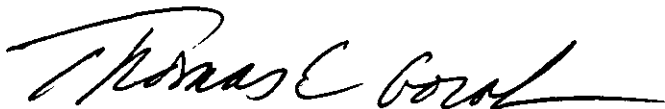
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Dated: Honolulu, Hawaii, October 2, 2009.

A handwritten signature in black ink, appearing to read "Thomas C. Gorak", written over a horizontal line.

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October 2, 2009

Chairman and Commissioners
Public Utilities Commission
of the State of Hawaii
465 South King Street
First Floor
Honolulu, HI 96813

FILED
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PUBLIC UTILITIES
COMMISSION

Re: **Docket No. 2009-0108, In the Matter of, Public Utilities
Commission, Instituting a Proceeding to Investigate
Proposed Amendments To the Framework for
Integrated Resource Planning.**

Dear Chairman and Commissioners:

Enclosed for filing on this date in the above-captioned docket are the original and four copies of the "Preliminary Statement Of Position And Preliminary Proposed Modifications, And Certificate Of Service Of JW Marriott Ihilani Resort & Spa, Waikoloa Marriott Beach Resort & Spa, Maui Ocean Club, Wailea Marriott And Marriott Hotel Services, Inc., on behalf of Kauai Marriott Resort & Beach Club." Kindly receipt stamp the additional copies and return them to the messenger.

Should you have any questions, please do not hesitate to contact me at (808) 377-3408.
Thank you for your attention to this matter

Sincerely,



Thomas C. Gorak

Enclosures